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FISCAL IMPACT STATEMENT

LS 6761

BILL NUMBER: SB 540

NOTE PREPARED: Jan 25, 2015

BILL AMENDED:

SUBJECT: Various Gaming Matters.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill authorizes riverboats to move inland to adjacent properties.

The bill replaces the riverboat admissions tax with a supplemental wagering tax. It eliminates the supplemental distribution from the existing wagering tax.

The bill authorizes table games at the racinos. It imposes a separate wagering tax on table games.

The bill establishes the Indiana Gaming Investment Tax Credit for certain capital investments that are made after December 31, 2015, and before January 1, 2021, by a licensed owner or operating agent of a riverboat or by a racino licensee. It provides that the amount of the tax credit is equal to 10% of the qualified capital investment made by the taxpayer during the taxable year. It specifies that the total amount of tax credits awarded may not exceed \$40 M in a state fiscal year. It makes an appropriation.

Effective Date: July 1, 2015; January 1, 2016.

Summary of NET State Impacts: A summary of impacts from the following provisions in the bill on state funds are specified in the table below.

- (1) Elimination of the riverboat admissions tax.
- (2) Replacement of the riverboat admissions tax with a supplemental riverboat wagering tax.
- (3) Elimination of the (riverboat admissions tax) supplemental hold-harmless distribution.
- (4) Authorization of table games at the racinos.

State Funds/Agencies	FY 2016	FY 2017
State General Fund	\$46.9 M	\$47.53 M
Indiana Economic Development Corporation	(\$0.20 M)	(\$0.19 M)
Mental Health Division	(\$2.41 M)	(\$2.42 M)
State Fair Commission	(\$3.62 M)	(\$3.64 M)
TOTAL	\$40.67 M	\$41.28 M

Explanation of State Expenditures: *Admissions Tax Hold-Harmless:* The bill repeals the admissions tax hold-harmless distributions from the state General Fund. This would result in reducing the state General Fund expenditure by \$48 M annually starting in FY 2016.

Current statute guarantees that local units and state agencies (the State Fair Commission and the Division of Mental Health) receiving admissions tax revenue from riverboat casinos other than from the French Lick Casino will annually receive an amount equal to their FY 2002 admissions tax distribution. This supplemental distribution is made before September 15th of the subsequent fiscal year. Current law caps the admissions tax hold-harmless distributions from the state General Fund at \$48 M in any fiscal year.

Explanation of State Revenues: *Admissions Tax Replaced with a Supplemental Wagering Tax:* The bill repeals the \$3 per patron riverboat admissions tax and replaces it with a 2.5% supplemental riverboat wagering tax beginning in FY 2016. It is estimated that the supplemental wagering tax would generate about \$12 M less than the current admissions tax in revenues. This would reduce revenues for current recipients of riverboat admissions tax revenue. The state General Fund, Mental Health Division, and State Fair Commission receive admissions tax from riverboat casinos other than the French Lick Casino. The Indiana Economic Development Corporation receives admissions tax from the French Lick Casino. It is assumed that the final quarterly distributions of riverboat admissions tax will occur at the state close out of FY 2015. The impact on state funds and agencies is shown in the table below:

Impact of Replacing Admissions Tax with Supplemental Wagering Tax

State Funds/Agencies	FY 2016	FY 2017
State General Fund	(\$2.40 M)	(\$2.50 M)
Indiana Economic Development Corporation	(\$0.20 M)	(\$0.19 M)
Mental Health Division	(\$2.41 M)	(\$2.42 M)
State Fair Commission	(\$3.62 M)	(\$3.64 M)
TOTAL	(\$8.63 M)	(\$8.75 M)

Table Games at Racinos: The bill allows the racinos to apply to the IGC for permission to operate live table games. It sets a separate graduated tax rate for the adjusted gross receipts (AGR) from the table games at racinos. The estimated impact on state funds from these changes is summarized in the table below.

Tax Type	Fund Type	FY 2016	FY 2017
Racino Table Games Wagering Tax	State General Fund	\$11.37 M	\$14.63 M
Racino Slot Machine Wagering Tax	State General Fund	(\$3.98 M)	(\$4.88 M)
Riverboat Wagering Tax	State General Fund	(\$6.09 M)	(\$7.72 M)
TOTAL		\$1.3 M	\$2.03 M

FY 2016 estimates assumes nine months of operation at both racinos. Estimates are based on the share of the total AGR at Indiana riverboat casinos generated by table games. It is estimated that live table game operations at the racinos could displace: (1) gambling on virtual table games currently operated by the racinos; and (2) gambling on table games at competing riverboat casinos. The displacement of virtual table game activity would reduce slot machine wagering tax revenue from virtual table games. It is assumed that virtual table games generate about 7% of the AGR at the racinos and that half of that activity would shift to live table games. Displacement of table game play at competing riverboat casinos would reduce revenue from the riverboat wagering tax. It is estimated that about 39% of the racino AGR from slot machines is displaced from riverboat casinos. This estimate is based on the gaming revenue model adopted by the Revenue Technical Committee (December 18, 2014). The FY 2016 impact could be lower to the extent that full scale table game operations may require construction of additional gaming floor space.

Riverboat Relocation to Land-Based Facility: The bill permits a riverboat casino owner to relocate gaming operations from the riverboat casino to a land-based facility without the approval of the Indiana Gaming Commission (IGC), provided the land-based facility: (1) is located on property adjacent to the dock site of the riverboat casino; and (2) complies with all applicable building codes and any safety requirements imposed by the IGC. The bill prohibits the riverboat owner from conducting gaming operations simultaneously at an inland casino and a docked riverboat. The bill also prohibits the IGC from imposing a fee for the privilege of relocating.

The potential fiscal impact of riverboat casinos around the state relocating to land-based operations is indeterminable, and it would depend on various factors including ownership, facility attributes, market factors, and capital availability. In this case, relocation to a land-based facility next to the dock site of the riverboat casino will not affect the geographic markets currently served by the riverboat casinos.

Indiana Gaming Investment Tax Credit: The bill provides a nonrefundable income tax credit for qualified capital investment on a gaming facility that exceeds \$2 M and is made towards: (1) onsite infrastructure improvements; (2) construction of a gaming facility or other buildings; (3) rehabilitation, alteration, or major repair of a gaming facility or other buildings or improvements; (4) installation of fixtures and equipment in a gaming facility or other buildings or improvements. The qualified capital investment must be approved by the IEDC. The tax credit is equal to 10% of the qualified investment. The tax credit could be claimed by a licensed owner, permit holder, or operating agent of any Indiana casino or racino. It provides that the tax credit can be carried forward for up to nine taxable years. The tax credit could also be assigned to taxpayers constructing amenities related to the gaming facility and that enhance the gaming experience. The assignment must be approved by the IEDC. The total amount of tax credits awarded may not exceed \$40 M in a state fiscal year. The tax credit could be claimed for investments made after December 31, 2015, and before January 1, 2021. This would mean that investment in up to six state fiscal years (FY 2016 to FY 2021) could qualify for the tax credit.

The provision in the bill allowing the casinos to move inland could increase the magnitude of the fiscal impact from this tax credit. An inland move would require substantial capital investment. Based on recent reports of investment in casinos in other states, it is estimated that the investment could be between \$200 M and \$400 M for each casino. Taking the midpoint of that and applying it to at least 10 Indiana casinos, tax credit related investment could be up to \$3.0 B. Based on the annual cap of \$40 M, the maximum impact from the tax credit could be up to \$240 M claimed for investment in six fiscal years. The actual impact could potentially be lower due to market factors restricting investments of large magnitude in the short term.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Admissions Tax Replaced with a Supplemental Wagering Tax:* Local units receiving riverboat admissions tax revenue under current law are estimated to experience a net revenue loss starting FY 2016 due to the elimination of the admissions tax and the supplemental hold-harmless distribution, and replacement with the supplemental wagering tax. (See *Explanation of State Expenditures* for additional discussion.) The estimated impact of these provisions on local units receiving admissions tax revenue is summarized in the following table.

Local Unit	FY 2016	FY 2017
Dearborn County	(\$4.77 M)	(\$4.83 M)
Dearborn County Convention and Visitor's Bureau	(\$0.48 M)	(\$0.48 M)
East Chicago	(\$3.56 M)	(\$3.58 M)
Evansville	(\$1.18 M)	(\$1.17 M)
French Lick	(\$0.09 M)	(\$0.08 M)
Gary	(\$4.28 M)	(\$4.22 M)
Hammond	(\$1.55 M)	(\$1.66 M)
Harrison County	(\$6.30 M)	(\$6.33 M)
Harrison County Convention & Visitor's Bureau	(\$0.31 M)	(\$0.32 M)
Lake County	(\$9.39 M)	(\$9.46 M)
Lake County Convention & Visitor's Bureau	(\$0.85 M)	(\$0.85 M)
LaPorte County	(\$2.42 M)	(\$2.41 M)
LaPorte County Convention & Visitor's Bureau	(\$0.24 M)	(\$0.24 M)
Lawrenceburg	(\$4.77 M)	(\$4.83 M)
Michigan City	(\$2.42 M)	(\$2.41 M)
Northwest Indiana Law Enforcement Training Center	(\$0.09 M)	(\$0.09 M)
Ohio County	(\$1.87 M)	(\$1.87 M)
Ohio County Convention & Visitor's Bureau	(\$0.19 M)	(\$0.19 M)
Orange County	(\$0.19 M)	(\$0.18 M)
Orleans	(\$0.04 M)	(\$0.04 M)
Paoli	(\$0.04 M)	(\$0.04 M)
Rising Sun	(\$1.87 M)	(\$1.87 M)
Switzerland County	(\$2.69 M)	(\$2.73 M)
Switzerland County Convention & Visitor's Bureau	(\$0.13 M)	(\$0.14 M)
Vanderburg County	(\$1.18 M)	(\$1.17 M)
Vanderburg County Convention & Visitor's Bureau	(\$0.12 M)	(\$0.12 M)
West Baden Springs	(\$0.09 M)	(\$0.08 M)
TOTAL	(\$51.11 M)	(\$51.39 M)

Table Games at Racinos: The increase in net AGR from table games at the racinos would result in an increase in the 3% gambling game wagering tax (currently the county slot machine wagering tax). The bill applies the current tax to the combined AGR from slot machines and table games, and mobile gaming devices. The county tax is currently 3% of slot machine AGR generated at the racinos during the fiscal year, up to a maximum of \$8.0 M in annual tax liability.

The table games at racinos would also result in decreased wagering tax collections from the riverboats. This could reduce wagering tax revenues distributed to certain local units. The estimated revenue impact of these provisions on local units receiving wagering tax revenue is summarized in the table below.

Local Unit	FY 2016	FY 2017
East Chicago	(\$0.13 M)	(\$0.31 M)
French Lick	(\$0.02 M)	(\$0.02 M)
Gary	(\$0.14 M)	(\$0.17 M)
Lawrenceburg	(\$0.21 M)	(\$0.27 M)
Michigan City	(\$0.16 M)	(\$0.20 M)
Rising Sun	(\$0.03 M)	(\$0.04 M)
Orange County	(\$0.02 M)	(\$0.03 M)
Orange Co. Development Commission	(\$0.02 M)	(\$0.02 M)
Orleans	(\$0.02 M)	(\$0.02 M)
Paoli	(\$0.02 M)	(\$0.02 M)
Switzerland County	(\$0.09 M)	(\$0.12 M)
West Baden Springs	(\$0.02 M)	(\$0.02 M)
Madison County	\$0.74 M	\$0.96 M
Shelby County	\$0.9 M	\$1.16 M
TOTAL	\$0.76 M	\$0.88 M

State Agencies Affected: Indiana Gaming Commission, Indiana Horse Racing Commission, Department of State Revenue, Indiana Economic Development Corporation, State Budget Agency, State Budget Committee, Department of Natural Resources; Division of Mental Health; State Fair Commission.

Local Agencies Affected: Local Units receiving riverboat wagering tax, racino wagering tax, or riverboat admissions tax.

Information Sources: Indiana Gaming Commission, Annual Report FY 2011-FY 2014; State Budget Agency, Build Indiana Fund Report FY 2013; OFMA, Casino Data; Revenue Technical Committee Forecast (December 18, 2014).

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